



環境クリエイター TakasaGo!
高砂熱学

2026 Medium-Term Management Plan

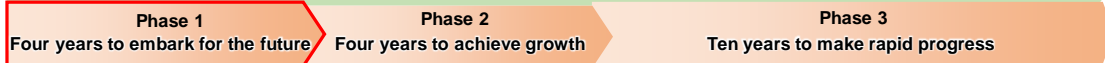
Step for the FUTURE -Four years to embark for the future-

May 12, 2023

Copyright © Takasago Thermal Engineering Co., Ltd. All Rights Reserved.

2026 Medium-Term Management Plan Step for the FUTURE Four years to embark for the future: basic policy

The Takasago Thermal Engineering Group's Long-Term Vision for 2040



Business model transformation

We will establish our construction business as a solid revenue base and promote investment in future growth.

- | | |
|---|--|
| 1. Enhance earning power based on our construction business | Enhance on-site capabilities to improve earning power |
| 2. Establish business that will lead to long-term added value | Promote carbon neutrality through environmental technologies |

Company and human resource transformation

We will invest in human capital and build the systems necessary for our company to transform into an Environment-Creator™.

- | | |
|--|---|
| 3. Invest in human capital, the source of our value creation | Invest in human resources to transform our business model |
|--|---|

We have two basic policies for our 2026 Medium-Term Management Plan: Step for the FUTURE -Four years to embark for the future. More specifically, our policies are *business model transformation* to establish our construction business as a solid revenue base and promote investment in future growth and *company and human resource transformation* to invest in human capital and build the systems necessary for our company to transform into an Environment-Creator®.

In terms of *business model transformation*, we will pursue initiatives to enhance our earning power based on our core construction business, and we will invest the cash we gain through our business based on an optimal balance to establish business that leads to long-term added value. To achieve monetization during phase 2 of our Long-Term Vision for 2040, we will socially implement our environmental technologies to build a solid revenue base for our business.

The source of our group's value creation is our employees, and—to facilitate the transformation of our business model—we will create an organizational system that encourages each person working as a member of our group to individually level up their skills and that enables them to

function as autonomous human resources.

By pursuing growth investment aimed at human capital, we will strive to achieve *company and human resource transformation*.

Medium-Term Management Plan (2023 to 2026) numerical targets

KGIs (FY2026)

Enhance earning power

Consolidated ordinary income
20 billion yen

Improve capital efficiency

Consolidated ROE
Approximately 10%

Contribute to the global environment

Reduce CO₂ emissions
(compared to FY2022)

- Scope 1/2: **-16.8%**^{*1}
- Scope 3: **-10.0%**^{*2}

KPI

1. Enhance earning power based on our construction business

- Achieve a consolidated gross profit margin of 15.0% or more by improving our received-order profit margin and enhancing cost management

2. Establish business that will lead to long-term added value

- Achieve the social implementation of green energy supply equipment (equivalent to a total of 5,000 kW^{*3})
- Propose a carbon transition of -15,000 tons of CO₂ per year

3. Invest in human capital, the source of our value creation

- Increase the number of employees by at least 200^{*4}
 - Develop professional human resources
 - Reform our personnel management system
- Increase investment by 10 billion yen^{*3} through the above measures

^{*1} The reduction rate necessary to achieve the 1.5°C target

^{*2} The scope 3 reduction rate in line with the target in ^{*1} above

^{*3} The total for the period covered by the Medium-Term Management Plan

^{*4} Compared to FY2022 as of the end of FY2026

Copyright © Takasago Thermal Engineering Co., Ltd. All Rights Reserved. Confidential



We have defined the KGIs for our Medium-Term Management Plan as follows: consolidated ordinary income of 20 billion yen as a measure of enhanced earning power, a consolidated ROE of approximately 10% as a measure of improved capital efficiency, and CO₂ emission reduction of -16.8% (scope 1 and 2) and -10.0% (scope 3) as a measure of our contribution to the global environment.

To achieve these targets, we have also formulated KPIs specific to each of our growth strategies.

1. In terms of enhancing earning power based on our construction business, we will improve our received-order profit margin, enhance cost management, and achieve a consolidated gross profit margin of at least 15.0%.

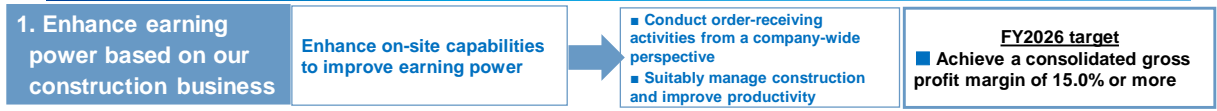
2. In terms of establishing business that leads to long-term added value, we will socially implement green energy supply equipment equivalent to a total of 5,000 kW during the period covered by this Medium-Term Management Plan.

In addition, to contribute to customer carbon neutrality directly linked to

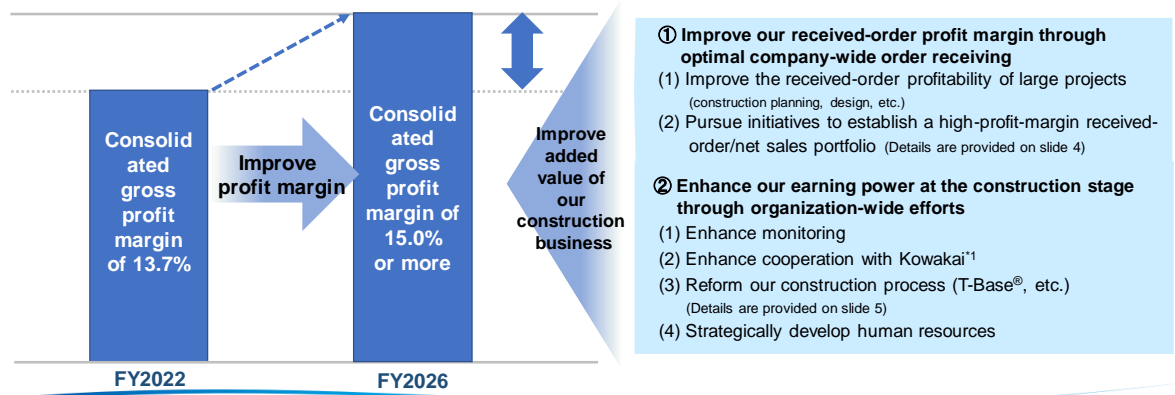
scope 3, we have proposed an annual reduction of 15,000 tons of CO₂.

3. In terms of investment in human capital, the source of our value creation, we will increase our investment in human capital by 10 billion yen during the period covered by this Medium-Term Management Plan by taking measures that include increasing the number of employees by at least 200, developing professional human resources, and reforming our personnel management system.

1. Measures to enhance earning power based on our construction business



Initiatives to achieve a consolidated gross profit margin of 15.0% or more



*1 An organization composed of our company's affiliates

In terms of our measures to 1. Enhance earning power based on our construction business, we will take two key steps: ① At the order receiving stage, we will implement an optimal company-wide order receiving strategy to improve our received-order profit margin. ② Meanwhile, at the construction stage, we will implement organization-wide efforts to enhance our earning power with the aim of increasing our consolidated gross profit margin to 15.0% or more.

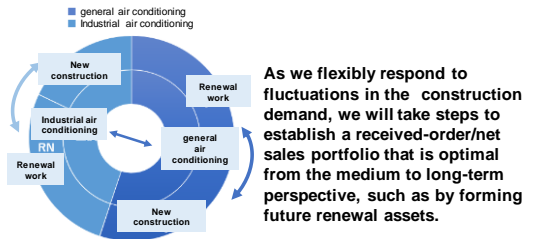
1. Enhancing earning power based on our construction business ①

Initiatives to establish a high-profit-margin received-order/net sales portfolio

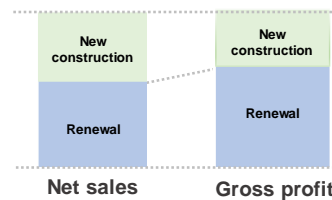
Order receiving strategy

- ① In order to promptly respond to issues that include a limited supply of labor in the face of strong construction demand and the fact that construction projects are becoming larger, we will promote an optimal company-wide order receiving strategy as opposed to our past branch-based approach.
- ② Recently, there has been strong construction demand for both general and industrial air conditioning. In terms of industrial air conditioning, we will emphasize the receipt of new construction orders to form future renewal assets, and—in terms of our overall general/industrial and new and renewal construction business—we will strive to establish a higher-profit-margin received-order/net sales portfolio.
- ③ To respond to fluctuations in the construction demand for general and industrial air conditioning, we will restructure our received-order portfolio to make it more flexible.

* Overview of our received-order/net sales portfolio



* Net sales and profit ratio overview



To enhance our earning power based on our construction business, we will work on establishing a portfolio of received orders and completed work with a high profit margin.

More specifically, we will pursue three initiatives:

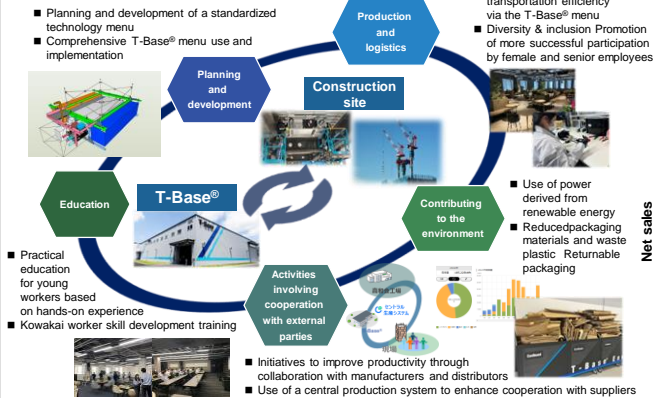
- ① We will continue to conduct optimal company-wide order receiving activities.
- ② Given the high recent construction demand, we will emphasize orders for new construction in the industrial air conditioning field and focus on the formation of future renewal assets as we establish a portfolio of received orders with high profit margins in terms of our overall construction business.
- ③ To handle future fluctuations in the construction demand, we will rearrange our received-order portfolio to make it more flexible as we strive to enhance our earning power.

1. Enhancing earning power based on our construction business ②

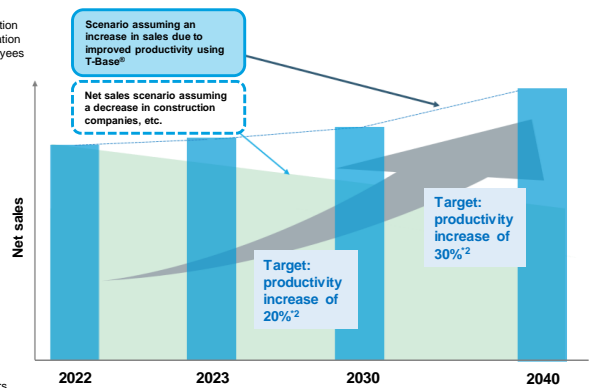
Construction process reform: the T-Base® project

We are switching from a *construction management system based on on-site one-off production* to *platform-based production management*. We will achieve improved productivity by realizing both reduced labor at construction sites and high-quality construction through the achievement of front loading^{*1} to equalize the workload as well as construction standardization, off-site production, and logistics.

■ Active implementation of the T-Base® menu at construction sites throughout Japan



■ Productivity improvement targets using T-Base®



*1 A method for taking care of more of the workload up front to improve quality and reduce the lead time by concentrating labor and resources during the initial stages of the manufacturing/system development process

*2 The productivity improvement rate in terms of the total working hours in the case of projects for which T-Base® is introduced

Confidential



環境クリエイター TakasaGo! 高砂熱学

We will promote construction process reform, mainly based on our T-Base® project.

In particular, we are switching from a *construction management system based on on-site one-off production* to *platform-based production management*.

We will achieve improved productivity by realizing both reduced labor at construction sites and high-quality construction through workload equalization as well as construction standardization, off-site production, and logistics.

T-Base® is also effective in terms of contributing to the environment and educating our human resources.

2. Measures to establish business that will lead to long-term added value

2. Establish business that will lead to long-term added value
Promote

carbon neutrality through environmental technologies



- Construct and own energy supply facilities that contribute to the global environment
- Conduct CO₂ emission reducing activities

FY2026 target

- Green energy supply equipment Total social implementation equivalent to 5,000 kW^{*1}
- CO₂ emission reduction amount - 15,000 tons of CO₂ per year (proposed)

① Research and develop environmental technologies (details in the figure on the right) and launch carbon neutrality business (Details are provided on slide 7)

- Conduct trials and demonstrations aimed at the social implementation of technologies that contribute to carbon neutrality business
- Increase results related to carbon neutrality business

② Achieve carbon neutrality by reforming our core business based on BIM^{*2} and establishing/utilizing our digital foundation (Details are provided on slide 8)

- Steadily reduce CO₂ emitted from building environments through the construction business

| Research and development of environmental technologies that contribute to carbon neutrality business | | Energy: | | |
|--|---|-------------|---------|--------------|
| | | Generati on | Storage | Consum ption |
| 1 | Development and introduction of water electrolysis equipment (1 to 5 Nm ³ unit, 100 Nm ³ unit) | ○ | ○ | |
| 2 | Development of a Takasago proprietary EMS ⇒ Achieve overall energy optimization by collecting, analyzing, and learning from data related to demand as well as the operation of energy supply equipment that includes water electrolysis equipment | ○ | ○ | ○ |
| 3 | Research and development of technologies to create building environments ⇒ Provide energy-saving and energy-producing construction equipment, environments that help to achieve health and safety, and environments that facilitate the improvement of intellectual and manufacturing productivity | ○ | | ○ |
| 4 | Research and development of technologies to protect the global environment ⇒ Provide hydrogen-related technologies, CO ₂ capture and usage technologies, resource recycling technologies, heat/energy controlling technologies, and machines, etc. that use less Greenhouse Gas | ○ | ○ | |
| 5 | Research and development of technologies to take on the challenge of new environments ⇒ Take on challenges related to habitats that include the moon's surface, outer space, and oceans as well as energy supply facilities, etc. | ○ | ○ | ○ |

*1 The total for the period covered by the Medium-Term Management Plan
*2 BIM stands for Building Information Modeling.

To establish growth business that leads to long-term added value, we will promote *carbon neutrality business via environmental technologies*.

Takasago Thermal Engineering will use its environmental technologies and engineering capabilities to pursue initiatives aimed at achieving carbon neutrality, specifically by

- ① researching and developing environmental technologies and launching carbon neutrality business as well as
- ② reforming our core business based on BIM and establishing/utilizing our digital foundation.

In terms of ①, the Takasago Thermal Engineering Group organizes its research and development into three categories: *technologies to create building environments*, *technologies to protect the global environment*, and *technologies to take on the challenge of new environments*.

By FY2026, we plan to achieve our social implementation target for technology we have developed, which is *the implementation of green energy supply equipment equivalent to a total of 5,000 kW*.

In terms of ②, we will utilize BIM based on the collection, accumulation, and analysis of building data.

By establishing a data foundation, we will promote activities that help to reduce all the carbon generated during the life cycle of a building.

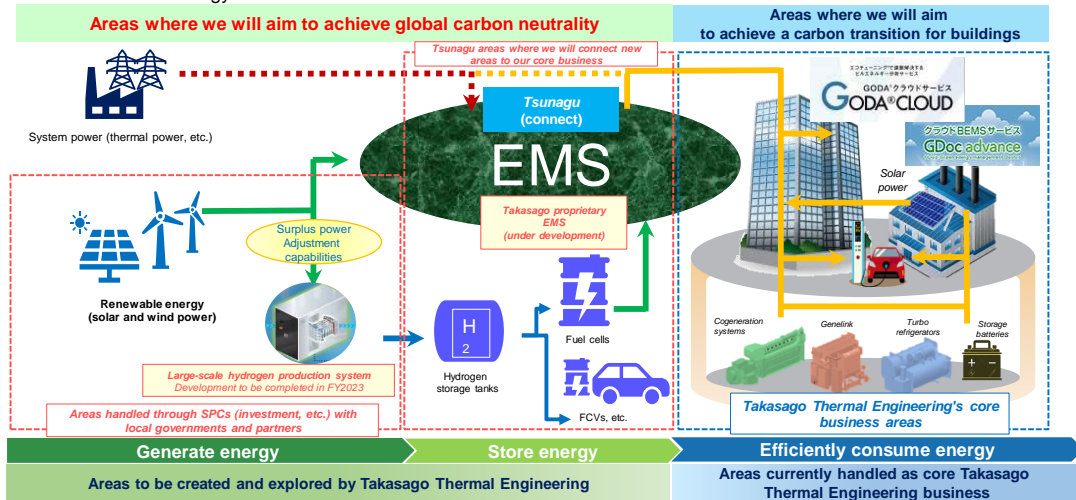
We will also propose to our customers on the measures for reduction of *CO₂ emissions by -15,000 tons per year.*

Our aims are to promote the research and development of environmental technologies that help to contribute to people and the global environment and to build a *carbon neutrality business* foundation.

2. Establishing business that will lead to long-term added value ①

Carbon neutrality business: the big picture

In the carbon neutrality market, we will aim to create new business that includes investment in the creation of and operations related to renewable energy.



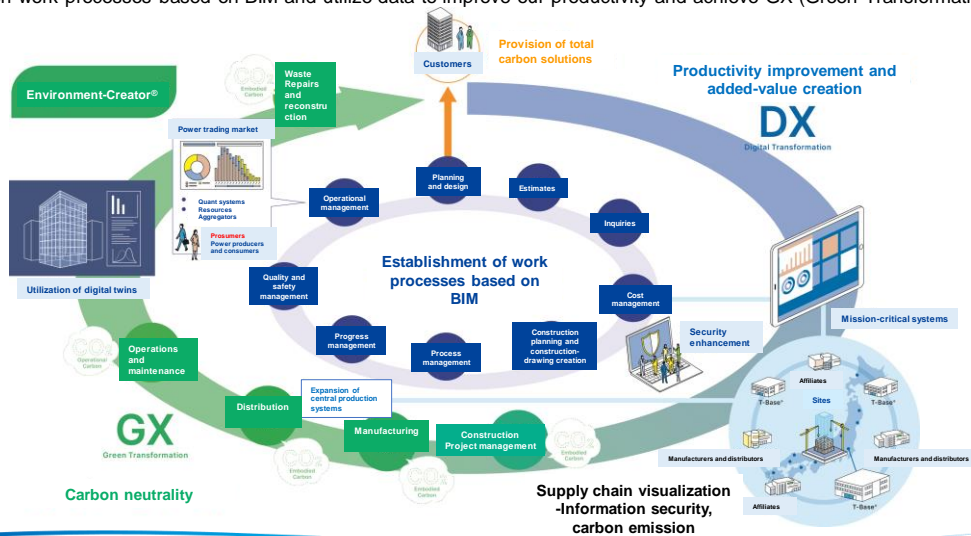
Our company is aiming to achieve carbon neutrality business for which—in terms of buildings that *consume energy*, Takasago Thermal Engineering's core business—we *generate energy* by expanding into this area through renewable energy that includes solar and biomass power generation and then take advantage of our knowledge of how to efficiently and optimally utilize energy to *store energy* by building a suitable system and then go on to *connect (Tsunagu)* these three areas.

By pursuing research and development as well as business development, we will invest in pursuits that include the creation of and operations related to renewable energy, thereby establishing carbon neutrality business as a key source of our future revenue.

2. Establishing business that will lead to long-term added value ②

Reforming our core business based on BIM and establishing/utilizing our digital foundation

We will establish work processes based on BIM and utilize data to improve our productivity and achieve GX (Green Transformation).



Copyright © Takasago Thermal Engineering Co., Ltd. All Rights Reserved.

Confidential



環境クリエイター Takasago
高砂熱学

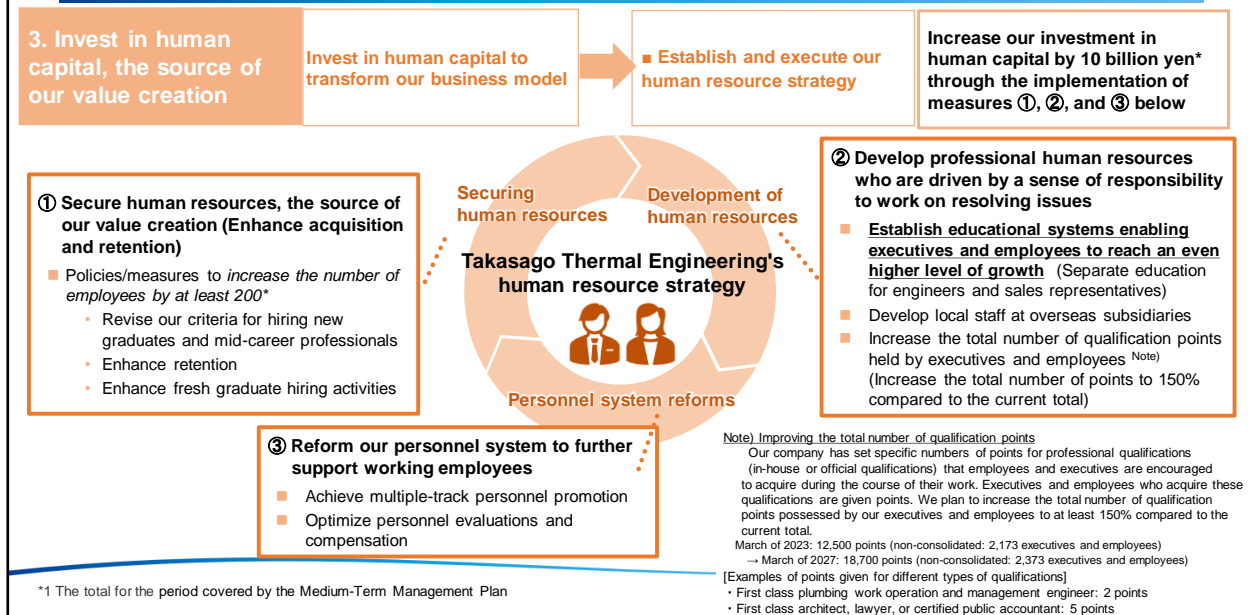
8

We will establish work processes based on BIM.

Our aim in terms of establishing and utilizing a digital foundation is to collect and analyze operational data, such as that generated by air conditioning equipment in buildings constructed by our company, to propose activities that will help to reduce the energy requirements and CO₂ emissions of those buildings.

By utilizing a BIM-based system to centrally manage our buildings, we will strive to reduce both the carbon generated during the life of each building—starting with its construction—and the carbon emitted during building operations in order to help achieve the Green Transformation.

3. Investing in human resources, the source of our value creation



The source of the Takasago Thermal Engineering Group's value creation is none other than the employees that work at our company. To achieve sustainable growth, we will therefore focus on *securing human resources* and *developing professional human resources*.

We will also *reform our multiple-track personnel promotion system* to establish a more comfortable working environment. Finally, we will increase our investment in human capital by a total of 10 billion yen during the period covered by this Medium-Term Management Plan.

Financial strategy and capital allocation

- We will build a financial foundation that emphasizes a balance between capital efficiency and financial soundness and supports sustainable growth.
- The cash generated as a result will be suitably allocated to growth investment aimed at improving our corporate value as well as shareholder return.

Basic policy for our financial strategy

Striking a balance between capital efficiency and financial soundness while suitably allocating funds to growth investment and shareholder return

| | |
|----------------------------|--|
| Capital efficiency | <ul style="list-style-type: none"> • ROE of approximately 10%(We will remain aware of the cost of capital as we pursue improved return on capital.) • Cross-shareholdings net asset ratio of 15% or less |
| Financial soundness | <ul style="list-style-type: none"> • Maintain a rating of A* * Long-term issuer/bond rating Rating agency: JCR (Japan Credit Rating Agency) |
| Growth investment | <ul style="list-style-type: none"> • 51 billion yen |
| Shareholder return | <ul style="list-style-type: none"> • Aim for a payout ratio of 40% • Progressive dividends • Flexibly acquire treasury stock |

Capital allocation

| | |
|---|---|
| Cash in Four years: total of 81 billion yen | Cash out Four years: total of 81 billion yen |
| Created by business 73 billion yen | Growth investment 51 billion yen |
| | <ul style="list-style-type: none"> • Investment in human capital • Carbon neutrality business • Construction process reform • DX • M&A, etc. |
| Sale of cross-shareholdings 8 billion yen | Shareholder return 30 billion yen |
| | (Including a payout ratio of approximately 40% and treasury stock acquisition) |

The basic policy for our financial strategy, which supports our growth strategy, is to emphasize the balance between capital efficiency and financial soundness while suitably allocating cash generated by business, etc. to growth investment and shareholder return.

More specifically, we plan to allocate 51 billion yen to growth investment, including investment in human capital. We also plan to allocate 30 billion yen to shareholder return.

By enhancing our business via growth investment based on the earning power of our core business, we will remain aware of the cost of capital as we pursue improved return on capital, and we have set an ROE of 10% as one of our KGIs.

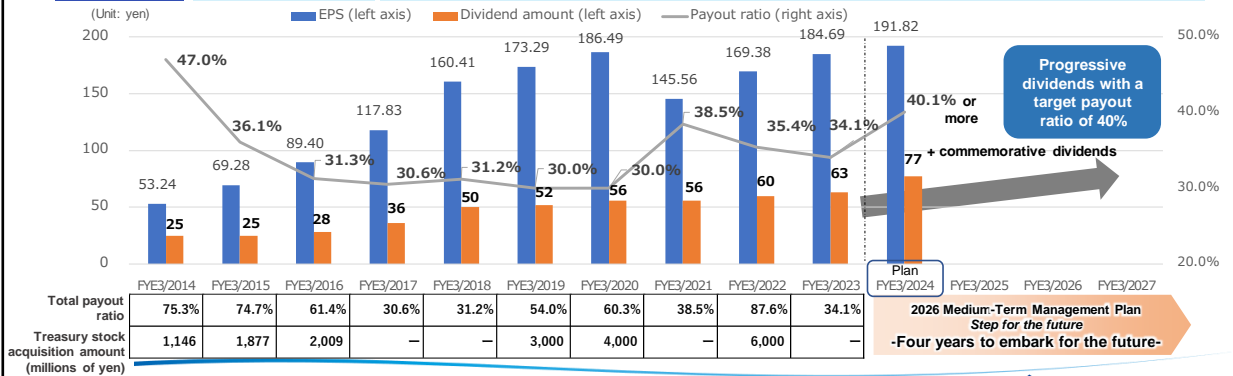
Regarding our cross-shareholdings, we will also reduce the net asset ratio to 15% or less during the period covered by our Medium-Term Management Plan.

To demonstrate our fiscal discipline, we will maintain an external rating of A.

(As of May of 2023, we had a long-term issuer/bond rating of A.)

Shareholder return

| | | |
|---------------------------|----------------------------|--|
| Shareholder return policy | Dividends | <ul style="list-style-type: none"> We will aim for a payout ratio of 40%. We will provide progressive dividends, which are increased according to sustainable profit growth. In FY2023, we plan to provide 77 yen worth of dividends for each share of common stock (interim dividends: 38 yen, year-end dividends: 39 yen) as well as commemorative dividends to celebrate our 100th anniversary of business. |
| | Treasury stock acquisition | <ul style="list-style-type: none"> We will continue to flexibly handle this as we always have based on performance trends, growth investment opportunities, capital efficiency, and other considerations. |



Under our shareholder return policy, we will provide progressive dividends, which are increased according to sustainable profit growth, with a target payout ratio of 40%.

We will also flexibly acquire treasury stock based on the comprehensive consideration of various situational factors.

To celebrate FY2023, our 100th anniversary in business, we also plan to provide commemorative dividends.

Note on future predictions

The information on future predictions in these materials is based on certain assumptions that are currently deemed reasonable by our company.

Therefore, please note that these predictions might differ considerably from the actual results and are also subject to change without notice.



環境クリエイター TakasaGo!
高砂熱学

Copyright © Takasago Thermal Engineering Co., Ltd. All Rights Reserved.